

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT

BASIC FINANCIAL STATEMENTS

December 31, 2006

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WISAN, SMITH, RACKER & PRESCOTT^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
South Salt Lake Valley Mosquito Abatement District**

We have audited the accompanying basic financial statements of the governmental activities and each major fund of South Salt Lake Valley Mosquito Abatement District (the District) as of December 31, 2006, and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The District as of December 31, 2006 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wisan Smith Racker & Prescott, LLP

Salt Lake City, Utah
May 25, 2007

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SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis

(Unaudited)

Management Discussion and Analysis

As management of the South Salt Lake Valley Mosquito Abatement District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending December 31, 2006.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$2,294,133. Of this amount, \$1,120,318 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$307,055. The increase is attributable to the new growth and increased property value in the district.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,120,318, an increase of \$58,219 in comparison with the prior year. Approximately 83 percent of this total amount, \$932,405, is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$932,405, or 109 percent of total general fund expenditures.
- The District's total debt decreased by \$251,699 during the current fiscal year. The decrease was attributable to the additional principal payments to retire the building note early.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the The District's basic financial statements comprises three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the District's is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation, sick and comp leave).

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
Management's Discussion and Analysis
(Unaudited)

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues. All of the District's basic services are considered to be government activities, including public safety and interest on long-term debt, property taxes, intergovernmental revenues and interest earnings.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements – A *fund* is a grouping or related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *government activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The District maintains three individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund and the capital project fund. All of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund and capital project fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 14-17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-27 of this report.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
Management's Discussion and Analysis
(Unaudited)

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District budgetary compliance. Required supplementary information can be found on pages 28-29 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,294,133 at the close of the most recent fiscal year.

About half of the District's net assets (51percent) reflect its investment in capital (e.g. land, buildings, vehicles, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

	Governmental Activities		
	2006	2005	2004
Current and other assets	\$ 1,167,148	\$ 1,098,412	\$ 872,818
Capital assets	1,173,815	1,176,678	1,158,168
Total assets	2,340,963	2,275,090	2,030,986
Long-Term liabilities outstanding	0	215,059	358,777
Other liabilities	46,830	72,953	106,135
Total liabilities	46,830	288,012	464,912
Net assets:			
Invested in capital assets, net of related debt	1,173,815	906,469	1,158,168
Unrestricted	1,120,318	1,080,609	407,906
Total net assets	\$ 2,294,133	\$ 1,987,078	\$ 1,566,074

The *unrestricted net assets* (\$1,120,318) may be used to meet the government's ongoing obligation to citizens and creditors. The remaining portion of the District's net assets represents resources that are subject to external restrictions.

At the end of the current fiscal year, the District is able to report positive balances in both categories of net assets. The same situation held true for the prior fiscal year.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
Management's Discussion and Analysis
(Unaudited)

Governmental activities. The government's net assets increased by \$307,055 during the current fiscal year. About one third of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. The increase is attributable to the new growth and increased property value within the district along with the sale of the gator and a small grant.

The key elements of this increase are as follows:

Change in Net Assets

	Governmental Activities		
	2006	2005	2004
	Revenues:		
Program Revenues			
Operating grants and contributions	\$ 3,825	\$ 431	\$ -
General revenues:			
Property taxes	1,093,924	1,057,884	1,042,781
Motor Vehicles fee in-lieu	110,436	109,038	109,640
Investment earnings	35,996	17,117	5,749
Other	(93)	10,628	5,200
Total revenues	1,244,088	1,195,098	1,163,370

Expenses:			
Public safety	924,320	756,694	637,423
Interest on long-term debt	12,713	17,400	18,963
Total expenses	937,033	774,094	656,386
Increase in net assets	307,055	421,004	506,984
Net assets beginning Jan 1	1,987,078	1,566,074	1,059,090
Net assets ending Dec 31	2,294,133	\$ 1,987,078	\$ 1,556,074

- Property taxes revenue increased by \$37,438 (3 percent) during the year. Most of this increase is the product of increasing property values and new growth within the district.
- Operating grants for governmental activities increased by \$3,825. The increase is due to The District receiving a grant from Utah Department of Agriculture & Food for the horse trough program.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Governments Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
Management's Discussion and Analysis
(Unaudited)

Government Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,120,318, an increase of \$58,219, in comparison with the prior year. Approximately 83 percent (\$932,405) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that is not available for new spending because it has already been committed to purchase capital assets in the future.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$932,405 while the total general fund balance was the same amount. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 109% of total general fund expenditures.

The fund balance of the District's general fund decreased by \$32,447, during the current fiscal year. The decrease is largely due to the expenditure of \$264,412 to retire the building note.

The debt service fund has a total fund balance of zero. The District paid the remaining amount of \$251,699 and retired the building note principal. This is in keeping with the intent of the District to retire the building note early.

Transactions Between Funds. Authorized interfund transfers are made from the general fund to the capital project and debt service funds and are included in the results of operations in the fund financial statements. At the end of the current year, the District reported transfers to the capital projects fund of \$150,648 and transfers to the debt service fund of \$264,412. Prior year transfers to the capital project and debt service funds were \$82,522 and \$177,400 respectively. Transfers to the debt service fund increased substantially due to early retirement of the building note during 2006.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
Management's Discussion and Analysis
(Unaudited)

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Increased cost of insecticides (\$91,000) due to increase demand in amount needed and cost increases.
- Increase in full time staff wages (\$70,000). The increase is based on three factors. One – an additional full time person was hired. Two - a 5.3% wage increase for employees that had worked a full year as of December 2005. For employees that worked less than a full year, the increase was prorated based on the number of months worked. Three – a ¾ time education specialist position was added.
- Increase in medical insurance (\$33,000) due to increase of cost 17.9% of premiums and the cost of an additional full-time employee's insurance.
- Increase in a new budget line item for dedicated reserve to cover the cost of future projects (\$61,500).
- Inflationary trends in the district compare favorably to regional indices.
- Decrease in seasonal staff wages (\$18,000) due to an over-estimate in the 2005 budget.
- Decrease in inventory adjustment (\$15,000) due to no longer needing this expense category.

During the year the District received unexpected property tax revenues. These revenues made up the difference in the overages in the original budget and the amended budget.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of December 31, 2006, amounts to \$1,173,815 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery, equipment, and fleet vehicles. There was a total decrease in the District's investment in capital assets for the current fiscal year of less than 1%.

Major capital assets events during the current fiscal year included the following:

- Various building and system additions and improvements were completed at the district headquarters.

Long Term Debt. At the end of 2006, the District had debt service principle retirement equaling \$251,699 along with \$12,713 in interest and fiscal charges.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
Management's Discussion and Analysis
(Unaudited)

Capital Assets
(net of depreciation)

	Governmental Activities		
	2006	2005	2004
Land	\$ 329,550	\$ 329,550	\$ 329,550
Building & Improvements	708,515	731,244	702,147
Office & Computer Equipment	27,223	17,288	20,744
Vehicles	47,764	68,485	68,447
Equipment	60,763	30,111	37,280
Total	\$ 1,173,815	\$ 1,176,678	\$ 1,158,168

Additional information on the District capital assets can be found in note four on page 25 of this report.

Long-term debt. At the beginning of 2006 the District had a note payable outstanding of \$251,699, compared to \$160,000 in 2005. This amount has been totally retired during the calendar year with the payment of \$251,699 in principal along with 12,713 in interest and fiscal charges.

Economic Factors and Next Year's Budget and Rates

- Increase in population and housing developments creating an increase demand on services.
- The property value and new developments create additional taxes that will be used to meet increasing demands.
- The unpredictability of the West Nile Virus and its influence on the community creates an additional demand for services, along with increasing reporting of mosquito problems. In order for The District to handle the increasing demand quickly and efficiently additional equipment and staff will be needed to cope with the growing demands.
- The use of unspent revenue carried over from previous fund year balance (\$118,002) avoiding the need to raise taxes.
- Increase in travel expense, conference and registration (\$32,000). Increased allocation due to additional trustees and employees attending training and conferences.
- Increase in capital expenditures allocating (\$20,000) increased cost of maintaining and improving the building; (\$14,500) increased cost to field equipment to promote the success of new programs; (\$46,000) increased cost to replace aging fleet vehicles; and (\$98,733) increased cost to dedicated reserve for the accrued payoff, emergency vehicle and computer replacement, and long term facility maintenance.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
Management's Discussion and Analysis
(Unaudited)

All of these factors were considered in preparing the District budget for the 2007 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$932,405. The District has appropriated \$118,002 of this amount for spending in the 2007 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for those with an interest in the government's finances. Questions or requests for additional information should be addressed to District, Attn: Val Bowlden, 8682 South Sandy Parkway, Sandy, Utah 84070.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
STATEMENT OF NET ASSETS
December 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 202,871
Public Treasurer's Investment Fund	919,973
Property taxes receivable	22,769
Other receivables	800
Inventory	20,735
Capital assets, net of depreciation	<u>1,173,815</u>
TOTAL ASSETS	<u>2,340,963</u>
LIABILITIES	
Accounts payable	15,951
Accrued liabilities	7,563
Accrued compensated absences	<u>23,316</u>
TOTAL LIABILITIES	<u>46,830</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,173,815
Unrestricted	<u>1,120,318</u>
TOTAL NET ASSETS	<u>\$ 2,294,133</u>

**SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year ended December 31, 2006**

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue & Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Public safety and health	\$ 924,320	\$ -	\$ 3,825	\$ (920,495)
Interest on long-term debt	<u>12,713</u>	<u>-</u>	<u>-</u>	<u>(12,713)</u>
Total governmental activities	<u>\$ 937,033</u>	<u>\$ -</u>	<u>3,825</u>	(933,208)
General Revenues:				
Property taxes				1,093,924
Motor vehicle in-lieu-of fees				110,436
Unrestricted investment earnings				35,996
Miscellaneous				826
Loss on disposal of capital assets				<u>(919)</u>
Total general revenues				<u>1,240,263</u>
Change in net assets				307,055
Net assets - beginning				<u>1,987,078</u>
Net assets - ending				<u>\$ 2,294,133</u>

**SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006**

	MAJOR FUNDS			TOTALS
	General Fund	Capital Projects	Debt Service	2006
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 202,871	\$ -	\$ -	\$ 202,871
Public Treasurer's Investment Fund	732,060	187,913	-	919,973
Accounts receivable	800	-	-	800
Taxes receivable	22,769	-	-	22,769
Inventory	20,735	-	-	20,735
TOTAL CURRENT ASSETS	979,235	187,913	-	1,167,148
TOTAL ASSETS	\$ 979,235	\$ 187,913	\$ -	\$ 1,167,148
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts payable	\$ 15,951	\$ -	\$ -	\$ 15,951
Accrued expenses	7,563	-	-	7,563
Accrued compensated absences	23,316	-	-	23,316
TOTAL CURRENT LIABILITIES	46,830	-	-	46,830
TOTAL LIABILITIES	46,830	-	-	46,830
FUND BALANCES				
Reserved for:				
Capital outlay	-	187,913	-	187,913
Unreserved	932,405	-	-	932,405
TOTAL FUND BALANCES	932,405	187,913	-	1,120,318
TOTAL LIABILITIES AND FUND BALANCES	\$ 979,235	\$ 187,913	\$ -	\$ 1,167,148

**SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
December 31, 2006**

Total Fund Balances - Governmental Funds \$ 1,120,318

Amounts reported for governmental activities in the statement of net
assets are different because:

Capital assets in governmental activities are not financial
resources and therefore are not reported in the governmental
funds balance sheet. Capital assets consist of the following:

Equipment	\$ 1,485,741	
Accumulated depreciation	<u>(311,926)</u>	<u>1,173,815</u>

Net Assets of Governmental Activities \$ 2,294,133

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2006

	MAJOR FUNDS			TOTALS
	General Fund	Capital Projects	Debt Service	2006
REVENUES				
Taxes	\$ 1,204,360	\$ -	\$ -	\$ 1,204,360
Grants	3,825	-	-	3,825
Interest income	30,820	5,176	-	35,996
Other income	826	-	-	826
TOTAL REVENUES	1,239,831	5,176	-	1,245,007
EXPENDITURES				
Current:				
Salaries and benefits	496,450	-	-	496,450
Operations	303,424	-	-	303,424
General and administrative	57,344	-	-	57,344
Capital outlay	-	65,158	-	65,158
Debt service:				
Principal	-	-	251,699	251,699
Interest	-	-	12,713	12,713
TOTAL EXPENDITURES	857,218	65,158	264,412	1,186,788
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	382,613	(59,982)	(264,412)	58,219
OTHER FINANCING SOURCES (USES):				
Transfers in	-	150,648	264,412	415,060
Transfers out	(415,060)	-	-	(415,060)
Total other financing sources (uses)	(415,060)	150,648	264,412	-
Net change in fund balance	(32,447)	90,666	-	58,219
Fund balance at beginning of year	964,852	97,247	-	1,062,099
Fund balance at end of year	\$ 932,405	\$ 187,913	\$ -	\$ 1,120,318

**SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT
OF ACTIVITIES
Year ended December 31, 2006**

Net Change in Fund Balances - Total Governmental Funds \$ 58,219

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts were as follows:

Capital outlay	\$ 65,158	
Capital outlay under capitalization threshold	(1,419)	
Loss on disposal of capital assets	(919)	
Depreciation expense	<u>(65,683)</u>	(2,863)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of principal on long-term debt	<u>251,699</u>
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Change in Net Assets of Governmental Activities	<u>\$ 307,055</u>
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SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The District was formed June 7, 1952. The special district was organized to provide health and mosquito abatement services to its constituent jurisdictions. The District is a separate legal entity, with a fifteen member board, one of which is appointed by Salt Lake County and fourteen of which are appointed by member cities. Constituents include Salt Lake County and the cities of Bluffdale, Cottonwood Heights, Draper, Herriman, Holladay, Midvale, Murray, Riverton, Sandy, South Jordan, South Salt Lake, Taylorsville, West Jordan and West Valley. Board members serve for a specified term and cannot be removed without cause. However, as the members are unable to impose their will and are not financially accountable for the District, the District is not reported as a component unit of the members.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific program. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Grants associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most of the governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A statement is presented for governmental activities. This statement presents each major fund as a separate column of the fund financial statements. The District has three major funds.

The District has presented the following major governmental funds:

- *General Fund* – the general fund is the main operating fund of the District, used for all financial resources not accounted for in other funds. All general revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.
- *Capital Projects Fund* – the capital projects fund is used to account for capital asset acquisitions.
- *Debt Service Fund* – the debt service fund accounts for resources accumulated and payments made for principal and interest on the District's loan for the office/warehouse building.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of three months or less when purchased. The Public Treasurer's Investment Fund has been shown separately for convenience of presentation.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management does not expect any uncollectible amounts as all payments are from governmental entities or under contract.

Capital Assets

Capital assets, which include real property and various types of equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets, are charged to expense.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	5 – 10 years
Building and building improvements	10 – 40 years

The District does not possess any infrastructure.

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation that are not expected to be liquidated with expendable available resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. Vested or accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund statements. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave. Accumulated sick leave is paid to employees upon retirement, at a rate of 25% of the total accumulated leave. Employees that are terminated for any reasons other than retirement are not paid for accumulated sick leave.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the District receives value without directly giving value in return, include tax revenue and grants. On the accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

Net Assets/Fund Balances

The difference between assets and liabilities is reported as net assets on the government-wide financial statements and fund balance on the governmental fund statements.

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management's tentative plans for specific future uses.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District's net assets are classified as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in the fund financial statements, but are generally excluded from the government-wide financial statements. Interfund balances are due to timing differences.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consisted of the following at December 31, 2006:

Cash and cash equivalents:

Cash -- Net of outstanding checks	\$ 202,871
Public Treasurers Investment Fund	<u>919,973</u>

Total cash, cash equivalents, and investments	<u>\$ 1,122,844</u>
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SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

As of December 31, 2006 the District had the following deposits and investments:

<u>Investments</u>	<u>Maturities</u>	<u>Value</u>
Pool cash - Utah Public Treasurer's Investment Fund	57 days average	\$ 919,973
<u>Deposits</u>		
Cash deposits - net of outstanding checks	N/A	<u>202,871</u>
Total cash, cash equivalents and investments held		<u>\$ 1,122,844</u>

Deposits and Investments

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006, the District had a bank balance of \$202,871, of which \$102,871 was not covered by federal depository insurance.

Investments

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (continued)

For the year ended December 31, 2006, the District had investments of \$919,973 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

NOTE 3 - PROPERTY TAXES

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied and tax notices are sent on November 1. All unpaid taxes are due and become delinquent on November 30.

Property tax revenues are recognized by the District when they are collected by the County. At December 31, 2006, only delinquent taxes were uncollected. The amount of collectible delinquent taxes at December 31, 2006, is not considered significant to the financial statements.

The property taxes receivable consists of the 2006 taxes collected by the County but remitted to the District after December 31, 2006.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 4 - CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2006 are as follows:

	January 1, 2006	Additions	Disposals	December 31, 2006
Capital assets, not being depreciated:				
Land	\$ 329,550	\$ -	\$ -	\$ 329,550
Capital assets, being depreciated:				
Building and improvements	798,743	-	-	798,743
Office and computer equipment	50,991	16,116	(4,780)	62,327
Machinery and equipment	62,301	26,401	(12,352)	76,350
Transportation equipment	197,552	21,222	-	218,774
Total capital assets being depreciated	1,109,587	63,739	(17,132)	1,156,194
Less accumulated depreciation for:				
Building and improvements	(67,499)	(22,729)	-	(90,228)
Office and computer equipment	(33,703)	(5,262)	3,861	(35,104)
Machinery and equipment	(32,190)	(8,748)	12,352	(28,586)
Transportation equipment	(129,067)	(28,944)	-	(158,011)
Total accumulated depreciation	(262,459)	(65,683)	16,213	(311,929)
Total capital assets, being depreciated, net	847,128	(1,944)	(919)	844,265
Total capital assets, net	\$ 1,176,678	\$ (1,944)	\$ (919)	\$ 1,173,815

Depreciation charged for the year ended December 31, 2006 was \$65,683.

NOTE 5 - RETIREMENT PLANS

Plan Description

The District contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan (the System or Plan) administered by the Utah Retirement Systems ("URS"). The System provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 ("Chapter 49") as amended, which also establishes the Utah State Retirement Office ("Office") for the administration of URS and Plans. Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board ("Board") whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for URS and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84012 or by calling 1-800-365-8772.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

NOTE 5 - RETIREMENT PLANS (CONTINUED)

The District offers its full-time employees participation in two defined contribution plans a 401(k) plan and a 457 plan. The 401(k) plan is created in accordance with Internal Revenue Code Sections 401(k) (the "401(k) Plan") and 457. Both plans are administered by URS. Employees may contribute from 1% to 100% of their annual salary up to a maximum of \$15,000 for 2006. For the 401(k) plan, the District matches employees' contributions up to 6.22 percent of the covered payroll for public service employees. The District does not match employees' contributions for the 457 Plan.

Contributions made by employees to the 401(k) Plan and the 457 Plan were \$13,651 and \$2,887, respectively, for the year ended December 31, 2006. Contributions made by the District to the 401(k) Plan were \$26,023 for the year ended December 31, 2006.

Funding Policy - The District was required to contribute 11.09 percent of covered salary to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District contributions to the Noncontributory System for the Year ended December 31, 2006 were \$101,494. The contributions were equal to the required contributions for the year.

NOTE 6 - COMPENSATED ABSENCES

The changes in compensated absences for the year ended December 31, 2006 are as follows:

	January 1, 2006	Increases	(Decreases)	December 31, 2006
Vacation	\$ 10,347	\$ 5,803	\$ -	\$ 16,150
Sick leave	5,413	1,753	-	7,166
Total compensated absences	<u>\$ 15,760</u>	<u>\$ 7,556</u>	<u>\$ -</u>	<u>\$ 23,316</u>

NOTE 7 - LONG-TERM DEBT

On January 14, 2002, the District entered into a lease/purchase agreement for \$1,000,000 with a financial institution to finance the purchase and subsequent remodeling costs of an office/warehouse building used for administrative offices and for the storage of pesticides and equipment. The agreement requires ten annual installment payments at an interest rate of 70 percent of the prime lending rate. There is no remaining loan balance as of December 31, 2006. The entire balance of \$251,699 was paid during 2006.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 7 - LONG-TERM DEBT (CONTINUED)

	<u>January 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2006</u>	<u>Current Maturities</u>
Note Payable	<u>\$ 251,699</u>	<u>\$ -</u>	<u>\$ (251,699)</u>	<u>\$ -</u>	<u>\$ -</u>
Total long-term debt	<u>\$ 251,699</u>	<u>\$ -</u>	<u>\$ (251,699)</u>	<u>\$ -</u>	

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Favorable
				(Unfavorable)
REVENUES				
Taxes	\$ 1,116,615	\$ 1,159,751	\$ 1,204,360	\$ 44,609
Grants and donations	-	-	3,825	3,825
Interest income	12,000	27,156	30,820	3,664
Other income	-	4,652	826	(3,826)
TOTAL REVENUES	1,128,615	1,191,559	1,239,831	48,272
EXPENDITURES				
Salaries and benefits	529,000	509,000	496,450	12,550
Operations	301,300	313,824	303,424	10,400
General and administrative	62,700	58,950	57,344	1,606
TOTAL EXPENDITURES	893,000	881,774	857,218	24,556
EXCESS OF REVENUES OVER EXPENDITURES	235,615	309,785	382,613	72,828
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	(415,060)	(415,060)
Total other financing sources (uses)	-	-	(415,060)	(415,060)
Excess of revenues/sources over expenditures/uses	\$ 235,615	\$ 309,785	(32,447)	\$ (342,232)
Fund balance at beginning of year			964,852	
Fund balance at end of year			\$ 932,405	

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2006

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The District adopts an "appropriated budget" for the General Fund. The District is required to present the adopted and final amended budgeted revenue and expenditures for this fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- By the regularly scheduled Board meeting in October, the District prepares a budget for the next succeeding year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget after seven days public notice of the meeting has been given.
- Prior to December 31, the budget is legally enacted through a passage of a resolution by the Board of Trustees. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end.
- Each budget is prepared and controlled by the budget coordinator at the revenue expenditure function/object level. Budgeted amounts are as amended by the Board of Trustees.
- The budgets for all funds must be filed with the Utah State Auditor within 30 days of adoption.

WISAN, SMITH, RACKER & PRESCOTT_{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
South Salt Lake Valley Mosquito Abatement District

We have audited the basic financial statements of the governmental activities and each major fund of South Salt Lake Valley Mosquito Abatement District (the District), as of and for the year ended December 31, 2006, and have issued our report thereon dated May 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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MEMBER
UTAH ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

We noted certain matters that we reported to management of the District, in a separate letter dated May 25, 2007.

This report is intended solely for the information and use of management, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Wison Smith Rachen & Prescott, LLP

Salt Lake City, Utah
May 25, 2007

WISAN, SMITH, RACKER & PRESCOTT_{LLP}

C E R T I F I E D P U B L I C A C C O U N T A N T S

INDEPENDENT AUDITOR'S REPORT ON STATE OF UTAH LEGAL COMPLIANCE

Board of Trustees
South Salt Lake Valley Mosquito Abatement District

We have audited the accompanying financial statements of the governmental activities and each major fund of South Salt Lake Valley Mosquito Abatement District (the District), as of and for the year ended December 31, 2006, and have issued our report thereon dated May 25, 2007. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Special Districts
- Other General Issues

The District did not receive any major or nonmajor State grants during the year ended December 31, 2006.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Wisan Smith Racker & Prescott, LLP

Salt Lake City, Utah
May 25, 2007

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WISAN, SMITH, RACKER & PRESCOTT, LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S

May 25, 2007

To the Board of Trustees and Management
South Salt Lake Valley Mosquito Abatement District

In planning and performing our audit of the financial statements of South Salt Lake Valley Mosquito Abatement District (the District) for the year ended December 31, 2006, we considered its internal control structure in determining our auditing procedures. We do this for the purpose of expressing our opinion on the financial statements rather than to provide assurance on the internal control structure. Significant Deficiencies and reportable instances of noncompliance, if any, are included in our reports dated May 25, 2007, required by the Government Auditing Standards and State of Utah Legal Compliance Audit Guide.

The following are opportunities that should be considered for strengthening District controls and improving accounting procedures:

Finding

There is no written accounting procedures manual available.

Recommendation

In order to establish and strengthen controls over accounting and cash handling procedures, we recommend establishment of written procedures and submitting the document for the Board's approval.

Response From Management

An accounting procedures manual giving instructions concerning how we here at the Mosquito District conduct our financial procedures will be written by Sandra Crane and reviewed by Val Bowlden and Board of Trustees by the end of 2007. The purpose of this manual is to give a substitute or newly hired individual directions and guidelines for performing their job responsibilities.

Finding

There is a lack of expertise in selecting and applying accounting principles. The District also lacks the expertise to prepare its own financial statements.

Recommendation

We recommend that the district consult with individuals having such expertise to mitigate the more than remote likelihood of material misstatement due to this lack of expertise.

Response From Management

This is a new requirement of government entities with a fairly short implementation period. The purpose is to prevent fraud such has recently occurred in various companies. The District

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will investigate two options. First, the cost that will be incurred to send Sandra Crane to classes that teach government accounting principles so she can prepare our own financial statements or second determine the cost of hiring an accountant to prepare our financial statements.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

We appreciate the cooperation and assistance we have received from the District's personnel in connection with the audit and in developing these recommendations.

Wisan Smith Racker & Prescott, LLP

Wisan, Smith, Racker & Prescott, LLP